

**Department of Planning and Budget
2015 Fiscal Impact Statement**

1. Bill Number: SB 1049

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: McDougle

3. Committee: Senate Finance

4. Title: Reimbursement of regional jail construction costs

5. Summary:

Under current law, the Commonwealth reimburses localities for up to one-half of the approved costs of constructing, enlarging, or renovating a regional jail. The reimbursement rate for a local jail that serves fewer than three localities is 25 percent.

The proposed legislation would reduce the reimbursement rate for regional jail projects approved after July 1, 2015, to 25 percent.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8 below.

8. Fiscal Implications:

Because the provisions of the legislation would apply only to projects approved in the future, there would be no fiscal impact on the current budget. However, due to their nature, regional jail projects are relatively expensive and, reducing the Commonwealth's share of that cost by half, from 50 percent to 25 percent, would result in savings for the state in the future.

Although it is not possible to project the future frequency of regional jail projects or their costs, some recent projects serve as examples of the extent of the potential savings. In the case of a recently proposed project, a 200-bed expansion of an existing regional jail, the total cost was estimated to be \$42.0 million. Under the current law, the state's share of that cost would be \$21.0 million, but under the proposed legislation, it would be \$10.5 million, a reduction of \$10.5 million. Three regional jail projects have been approved in recent years, with a state share of \$59.4 million. If the proposed legislation had been in effect when they were approved, the state share would have been \$27.4 million less. Because the state funds its share of regional construction costs with the proceeds of bonds issued by the Virginia Public Building Authority, there would also have been a reduction in interest costs.

9. Specific Agency or Political Subdivisions Affected:

Treasury Board
Regional jail authorities

10. Technical Amendment Necessary: None.

11. Other Comments: The introduced bill includes a provision limiting the state reimbursement of the costs of constructing, expanding, or renovating a regional jail to 25 percent.

Date: 2/4/2015

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